

LE MARS COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITORS' REPORT

JUNE 30, 2011

**LE MARS COMMUNITY SCHOOL DISTRICT  
FOR THE YEAR ENDED JUNE 30, 2011  
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LE MARS COMMUNITY SCHOOL DISTRICT

LIST OF OFFICIALS

June 30, 2011

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Board of Education (Before September 2011 Election)

		Term Expires
Patrick Murphy	President	2011
Brenda Phelan	Vice President	2013
Cris Collins	Board Member	2013
Mark Hemmingson	Board Member	2011
Scott Kommes	Board Member	2013
Dr. Mark Stelzer	Board Member	2011
Dan Smith	Board Member	2011

School Officials

Dr. Todd Wendt	Superintendent	2011
Lisa Boehm	District Secretary	2011
Kim Clarey	District Treasurer	2011
Bauerly, Trotzig & Bauerly	Attorney	2011



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## INDEPENDENT AUDITORS' REPORT

To the Board of Education of  
Le Mars Community School District

Le Mars, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activity, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Le Mars Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Le Mars Community School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Le Mars Community School District, as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2011, on our consideration of the Le Mars Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require that the management's discussion and analysis and budgetary comparison information on pages 4 through 14 and 41 through 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Le Mars Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the eight years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. The other supplementary information included in Schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Williams + Company, P.C.*  
CERTIFIED PUBLIC ACCOUNTANTS

Le Mars, Iowa  
September 29, 2011

# LE MARS COMMUNITY MANAGEMENT DISCUSSION AND ANALYSIS

Le Mars Community School District provides this Management Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow this section.

## FINANCIAL HIGHLIGHTS

General fund revenues increased from \$17,512,862 in fiscal year 2010 to \$18,795,125 in fiscal year 2011, while General fund expenditures decreased from \$17,809,912 in fiscal year 2010 to \$17,390,878 in fiscal year 2011. Revenues associated with the federal Education Jobs Fund and the cash reserve levy resulted in the increase in revenue. The District's General fund balance increased from \$807,944 in fiscal year 2010 to \$2,243,654 in fiscal year 2011, a 177.7% increase. The Federal Education Jobs Funding of \$419,287 was one time money used to cover costs that will not be reduced in the 2011-2012 budget

## USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Le Mars Community School district as a whole and present an overall view of the District's finances.

The Fund financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Le Mars Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds and Capital Project Fund. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

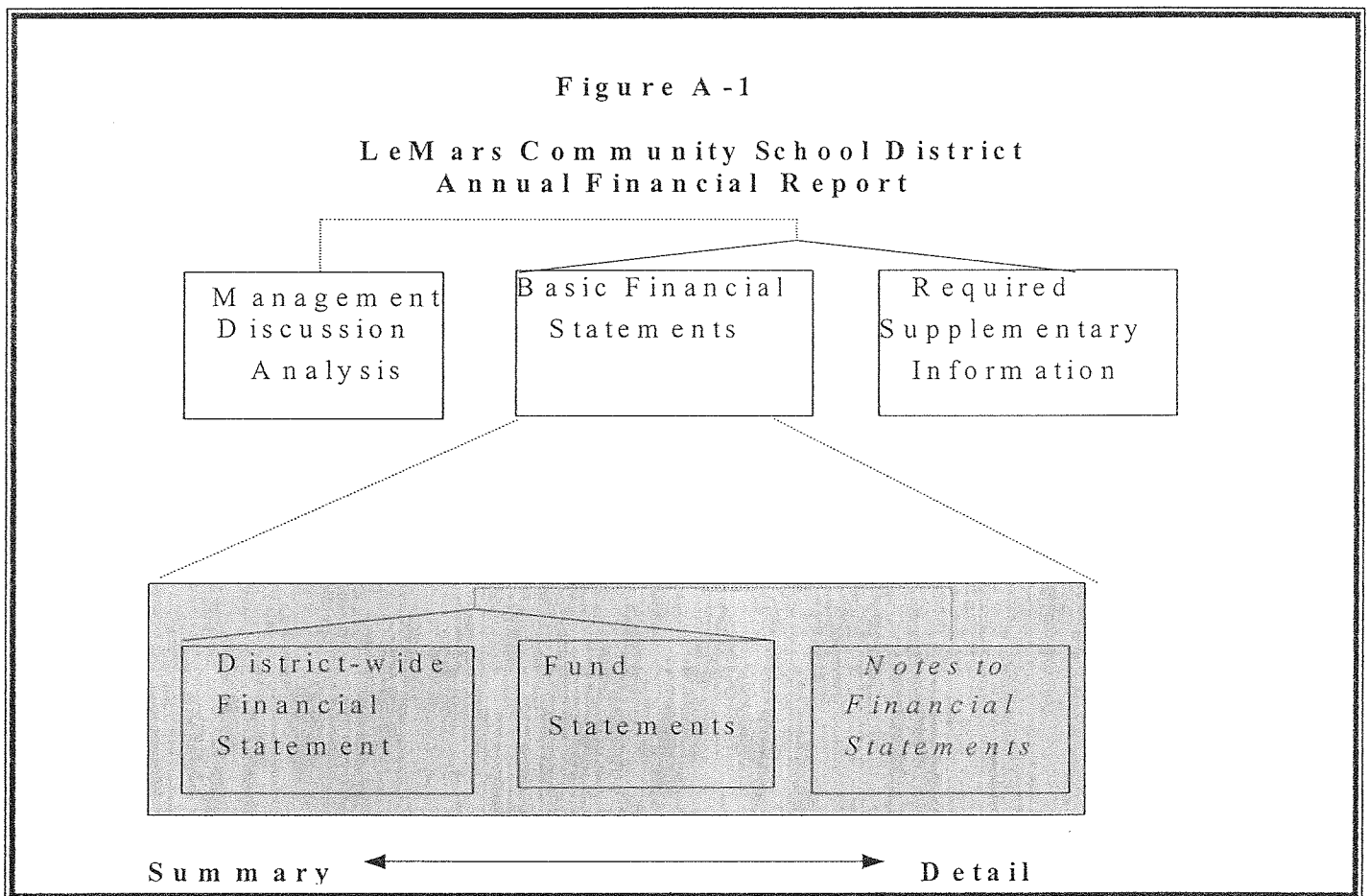


Figure A-2 below summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2: Major Features of the District Wide and Fund Financial Statements</b>				
	District-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services is included here	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.



In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help it cover the costs of certain services it provides. The District's nutrition program is included here.

## Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the district as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three types of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Project Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses an enterprise fund to account for its School Nutrition Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses an internal service fund to account for the partially self-funded insurance program. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The required financial statements for proprietary funds include a statement of net assets, statement of revenues, expenses and changes in fund net assets, and a statement of cash flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. The District's only fiduciary fund is an agency fund for the District's flex cafeteria plan for employees. The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes this activity from the government-wide statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

### Government-Wide Financial Analysis

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2011.

Figure A-3							
Condensed Statement of Net Assets June 30, 2011							
	Governmental Activities		Business-type Activities		Total District		Total % Change
	2010	2011	2010	2011	2010	2011	
Current and other assets	\$13,420,042	\$23,005,585	\$49,677	\$74,491	\$13,469,719	\$23,080,076	71.35%
Capital Assets	12,785,472	15,210,992	23,211	28,533	12,808,683	15,239,525	18.98%
<b>Total assets</b>	<b>\$26,205,514</b>	<b>\$38,216,577</b>	<b>\$72,888</b>	<b>\$103,024</b>	<b>\$26,278,402</b>	<b>\$38,319,601</b>	<b>45.82%</b>
Long-term debt outstanding	957,000	8,391,205	-	-	957,000	8,391,205	776.82%
Other Liabilities	9,891,746	11,192,933	11,559	13,557	9,903,305	11,206,490	13.16%
<b>Total Liabilities</b>	<b>\$10,848,746</b>	<b>\$19,584,138</b>	<b>\$11,559</b>	<b>\$13,557</b>	<b>\$10,860,305</b>	<b>\$19,597,695</b>	<b>80.45%</b>
Net Assets							
Invested in capital assets, net of related debt	\$11,680,472	\$12,512,527	\$23,211	\$28,533	\$11,703,683	\$12,541,060	7.15%
Restricted	1,277,415	4,028,931	-	-	1,277,415	4,028,931	215.40%
Unrestricted	2,398,881	2,090,981	38,118	60,934	2,436,999	2,151,915	(11.70%)
<b>Total net assets</b>	<b>\$15,356,768</b>	<b>\$18,632,439</b>	<b>\$61,329</b>	<b>\$89,467</b>	<b>\$15,418,097</b>	<b>\$18,721,906</b>	<b>21.43%</b>

The District's combined net assets increased by 21.43% from \$15,418,097 to \$18,721,906. The largest portion of the District's net assets is the invested in capital assets, less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$2,751,516 or 215.40% from the prior year. The majority of this increase was due to the Phase II construction project and the use of Sales Tax Revenue Bonds for financing.

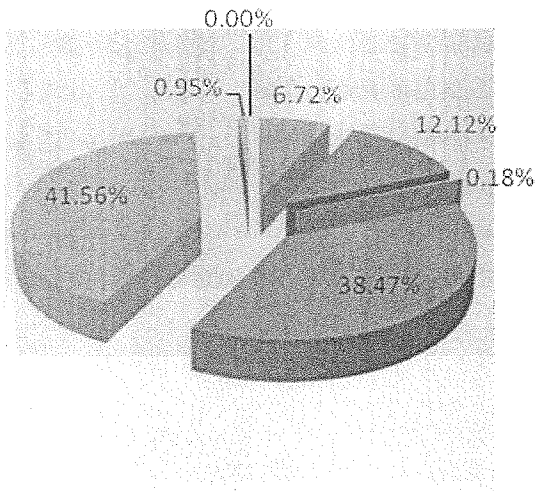
Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased approximately \$285,084 or (11.70%) from the prior year.

**Changes in net assets** – Figure A-4 shows the changes in net assets from operations for the year ended June 30, 2011.

Figure A-4							
Changes in Net Assets from Operations							
	Governmental Activities		Business-type Activities		Total District		Total % Change
	2010	2011	2010	2011	2010	2011	
Revenue							
Program Revenues							
Charges for Services	\$1,312,500	\$1,176,049	\$374,859	\$370,643	\$1,687,359	\$1,546,692	(8.34)%
Operating Grants & Contributions	3,947,728	2,430,098	339,591	358,365	4,287,319	2,788,463	(34.96)%
Capital Grants & Cont.	7,942	40,688	-	2,037	7,942	42,725	437.96%
General Revenues							
Property & Sales Tax	8,096,724	8,851,041	-	-	8,096,724	8,851,041	9.32%
State Aid	7,185,774	9,563,155	-	-	7,185,774	9,563,155	33.08%
Other	72,263	215,914	600	335	72,863	216,250	196.79%
Transfers	(34,223)	(12,387)	34,223	12,387	-	-	-
<b>TOTAL REVENUES</b>	<b>\$20,588,708</b>	<b>\$22,264,558</b>	<b>\$749,273</b>	<b>\$743,767</b>	<b>\$21,337,981</b>	<b>\$23,008,325</b>	<b>7.83%</b>
Expenses							
Instruction	\$13,922,598	\$13,138,633	\$ -	\$ -	\$13,922,598	\$13,138,633	(5.63)%
Support Services	4,715,111	4,754,501	688,042	721,566	5,403,153	5,476,067	1.35%
Debt Services	61,506	97,641	-	-	61,506	97,641	58.75%
Facilities/Equip Acquisition	94,063	85,047	-	-	94,063	85,047	(9.59)%
Intergovernmental	905,931	913,065	-	-	905,931	913,065	.79%
<b>TOTAL EXPENSES</b>	<b>\$19,699,209</b>	<b>\$18,988,887</b>	<b>\$688,042</b>	<b>\$721,566</b>	<b>\$20,387,251</b>	<b>\$19,710,453</b>	<b>(3.32)%</b>
<b>INCREASE(DECREASE)</b>	<b>\$889,499</b>	<b>\$3,275,671</b>	<b>\$61,231</b>	<b>\$22,201</b>	<b>\$950,730</b>	<b>\$3,297,872</b>	<b>246.88%</b>

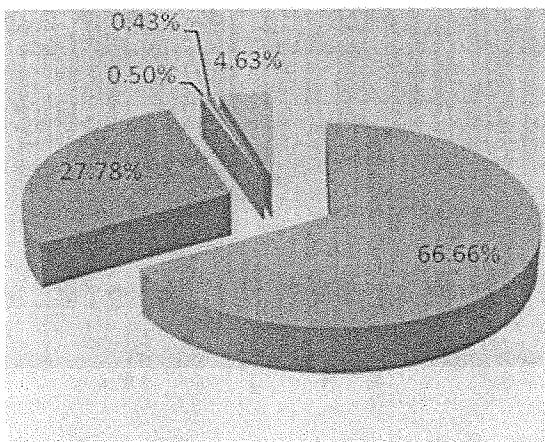
Property tax, local option sales tax, and unrestricted state aid accounts for 80% of the total revenue. The District's expenses primarily relate to instruction and support services, which accounts for 94% of the total expenses.

**Figure A - 5**  
**Sources of Revenue for Fiscal Year**  
**2011**



- Charges for Services - 6.72%
- Operating Grants & Cont - 12.12%
- Capital Grants & Cont. - .18%
- Property Tax - 38.47%
- State Aid - 41.56%
- Other - .95%

**Figure A-6**  
**Expenses for Fiscal Year 2011**



- Instruction - 66.66%
- Support Services - 27.78%
- Debt Services - .50%
- Facilities/Equip Acquisition - .43%
- Intergovernmental - 4.63%

## Governmental Activities

Figure A-7 presents the cost of four major district activities: instruction, support services, debt services, and intergovernmental. The table also shows each activity's *net cost* (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial impact placed on the taxpayers by each function.

Figure A-7						
Net Cost of Governmental Activities	Total Cost of Services		% Change	Net Cost of Services		% Change
	2010	2011		2010	2011	
Instruction	\$13,922,598	\$13,138,633	(5.63)%	\$9,828,449	\$10,667,266	8.53%
Support Services	4,715,111	4,754,501	.84%	4,447,021	4,492,098	1.01%
Debt Service	61,506	97,641	58.75%	61,506	97,641	58.75%
Other Expend.	94,063	85,047	(9.59)%	94,063	85,047	(9.59)%
Intergovernmental	905,931	913,065	.79%	-	-	-
<b>TOTAL</b>	<b>\$19,699,209</b>	<b>\$18,988,887</b>	<b>(3.61)%</b>	<b>\$14,431,039</b>	<b>\$15,342,052</b>	<b>6.31%</b>

- The cost financed by users of the District's programs was \$1,176,049.
- Federal and state grants subsidized programs with grants totaling \$3,955,670 for 2010 compared to \$2,470,786 for 2011.
- The net cost of governmental activities was financed with \$8,851,041 in property and other taxes and \$9,563,155 in unrestricted state grants.

## Business-Type Activities

Revenues of the District's business-type activities (school food and nutrition services) totaled \$743,767 and expenses totaled \$721,566 (Refer to Figure A-4.) Revenues of these activities were comprised of charges for services, federal and state reimbursements, investment income, and transfers.

## Individual Fund Analysis

As previously noted, Le Mars Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of \$12,208,543 compared to a fund balance of \$4,061,887 for fiscal 2010.

## **GOVERNMENTAL FUND HIGHLIGHTS**

The increase in the District's General Fund financial position was primarily a result of the federal Education Jobs Fund and the cash reserve levy. The federal Education Jobs Fund was one time money used to cover costs that will not be reduced in the 2011-2012 budget.

The Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$508,653 in fiscal 2010 to \$736,141 in fiscal 2011. This increase is due to the increase in property tax revenue caused by increased valuation.

The Statewide Sales, Services and Use Tax fund balance increased from \$2,171,601 in fiscal 2010 to \$8,488,958 in fiscal 2011. This increase is due to the sales tax revenue bonds that were issued for the Phase II construction project.

The Management Fund balance increased from \$287,713 in fiscal 2010 to \$397,451 in fiscal 2011. This increase is due to the increase in property tax revenue in fiscal 2011.

## **PROPRIETARY FUND HIGHLIGHTS**

The School Nutrition Fund net assets increased from \$61,329 at June 30, 2010 to \$89,467 at June 30, 2011, representing an increase of 45.8%. The increase was largely due to the increase in federal and state funding for the lunch program, an increase in lunch prices, and the reduction of food and supplies expenditures.

## **BUDGETARY HIGHLIGHTS**

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following a required public notice and hearing. The budget may be amended during the year utilizing statutorily prescribed procedures. The 2011 budget was amended by the Board of Education in accordance with the Code of Iowa. During the year, the expenditures in total did not exceed the total amended published budget amounts. However, when the budget was amended for FY2011 the categories were overstated in the Support Services category and understated in the Other Expenditures category.

The variance in the District's budget in comparison to actual results was largely due to the reduction of state funding. Total actual revenue was .64% less than budgeted, while total actual expenditures were 5.6% less budgeted. Detail can be found in the supplementary information section of this report as required.

## Capital Asset and Debt Administration

### Capital Assets

By the end of 2011, the District had invested \$25,489,958 in a broad range of assets, including school infrastructure and equipment. (See Figure A-8) **(More detailed information about capital assets can be found in Note 5 to the financial statements.)** Total depreciation expense for the year equaled \$673,590.

Figure A-8 – Capital Assets						
	Governmental Activities		Business-Type Activities		Total District	
	2010	2011	2010	2011	2010	2011
Land	\$187,286	\$196,236	\$ -	\$ -	\$187,286	\$196,236
Land Improvements	205,989	205,989	-	-	\$205,989	\$205,989
Const. In Progress	327,936	2,123,465	-	-	327,936	2,123,465
Buildings	17,252,168	17,858,184	-	-	17,252,168	17,858,184
Equip/Fur./Vehicles	4,828,857	5,030,781	61,558	75,303	4,890,415	5,106,084
<b>Total</b>	<b>\$22,802,236</b>	<b>\$25,414,655</b>	<b>\$61,558</b>	<b>\$75,303</b>	<b>\$22,863,794</b>	<b>\$25,489,958</b>

### Long-Term Debt

At year-end, the District had general obligation bonds totaling \$575,000 and statewide sales, services and use tax revenue bonds totaling \$7,985,000.

See Figure A-9 below.

Figure A-9					
Outstanding Long-Term Debt					
Revenue Bonds		Notes		Total District	
2010	2011	2010	2011	2010	2011
-	\$7,985,000	\$1,105,000	\$575,000	\$1,105,000	\$8,560,000

## **Factors Bearing on the District's Future**

At the time these financial statements were prepared, the district was aware of the following existing circumstances that could affect its financial health in the future:

- The decrease in district enrollment on October 1, 2010 of approximately 43 students brings the total loss of enrollment since 2005 to approximately 200 students. With projections of a similar decrease in enrollment on October 1, 2011 as was seen on October 1, 2010, the total loss since 2005 will be approaching 250 students over the six year period. This decrease in enrollment has created, and will continue to create in the future, a significant loss in funding available to the district for meeting student needs. Over two million dollars in general fund expenditures have been reduced during the past four years in attempt to address this loss in enrollment.
- Even though state revenue projections are improving, allowable growth for FY12 was established at 0% and FY13 at 2%. This inadequate level of state funding will continue to create budgetary challenges for the district in the near future.
- The use of one time funding available through the American Recovery and Reinvestment Act by the Governor and state legislature has created a “funding cliff” that will occur in 2012 when federal funds through this program will no longer be available to the state of Iowa and local school districts. In addition, the federal Education Jobs Fund is not available for the 2012 budget.

## **Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability of the money it receives. If you have questions about this report or need additional financial information, contact Dr. Todd Wendt, Superintendent, Le Mars Community School District, 940 Lincoln St. SW, Le Mars, IA 51031.



**LE MARS COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2011**

	Primary Government			Component Unit
	Governmental Activities	Business Type Activity	Total	LCSD Foundation
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 13,265,212	\$ 58,685	\$ 13,323,897	\$ 26,280
Investments	-	-	-	173,719
Receivables:				
Property Tax	71,571	-	71,571	-
Succeeding Year Property Tax	7,819,266	-	7,819,266	-
Accounts	217,516	-	217,516	-
Due from Other Governments	444,740	-	444,740	-
Inventories	-	13,847	13,847	-
Prepaid Expenses	298,272	1,959	300,231	-
Restricted Assets:				
Cash and Cash Equivalents	801,758	-	801,758	-
Bond Issue Costs	87,250	-	87,250	-
Land	196,236	-	196,236	-
Construction in Progress	2,123,465	-	2,123,465	-
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	12,891,291	28,533	12,919,824	-
<b>Total Assets</b>	<b>38,216,577</b>	<b>103,024</b>	<b>38,319,601</b>	<b>199,999</b>
<b>LIABILITIES</b>				
Accounts Payable	829,351	592	829,943	-
Salaries and Benefits Payable	1,907,862	-	1,907,862	-
Accrued Interest Payable	57,454	-	57,454	-
Unearned Revenue	-	12,965	12,965	-
Deferred Revenue -				
Succeeding Year Property Tax	7,819,266	-	7,819,266	-
Other	4,000	-	4,000	-
Noncurrent Liabilities:				
Due Within One Year:				
General Obligation Bonds	575,000	-	575,000	-
Due in More Than One Year:				
Revenue Bonds	8,042,205	-	8,042,205	-
Net OPEB Liability	349,000	-	349,000	-
<b>Total Liabilities</b>	<b>19,584,138</b>	<b>13,557</b>	<b>19,597,695</b>	<b>-</b>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	12,512,527	28,533	12,541,060	-
Restricted for:				
Categorical Funding	42,219	-	42,219	-
Management Levy	397,451	-	397,451	-
School Infrastructure	1,771,718	-	1,771,718	-
Physical Plant and Equipment Levy	736,141	-	736,141	-
Debt Service	742,321	-	742,321	-
Other Special Revenue Purposes	339,081	-	339,081	-
Unrestricted	2,090,981	60,934	2,151,915	199,999
<b>Total Net Assets</b>	<b>\$ 18,632,439</b>	<b>\$ 89,467</b>	<b>\$ 18,721,906</b>	<b>\$ 199,999</b>

See Accompanying Notes to Financial Statements

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2011**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants Contributions	Capital Grants Contributions
<b>Primary Government:</b>				
Governmental Activities:				
Instruction:				
Regular Instruction	\$ 9,851,626	\$ 368,130	\$ 711,500	\$ 40,688
Special Instruction	2,322,090	59,862	590,367	-
Other Instruction	964,917	673,842	26,978	-
Support Services:				
Student Services	518,253	-	5,260	-
Instructional Staff Services	727,113	-	82,186	-
Administration Services	1,437,357	-	-	-
Operation and Maintenance	1,275,032	62,262	-	-
Transportation Services	796,746	11,953	100,742	-
Other Expenditures:				
Facilities Acquisition and Construction Services	85,047	-	-	-
Long-term Debt Interest	97,641	-	-	-
AEA Flowthrough	913,065	-	913,065	-
Total governmental activities	<u>18,988,887</u>	<u>1,176,049</u>	<u>2,430,098</u>	<u>40,688</u>
<b>Business Type Activity:</b>				
Non-instructional Programs:				
Food Service Operations	<u>721,566</u>	<u>370,643</u>	<u>358,365</u>	<u>2,037</u>
Total Primary Government	<u>\$ 19,710,453</u>	<u>\$ 1,546,692</u>	<u>\$ 2,788,463</u>	<u>\$ 42,725</u>
<b>Component Unit:</b>				
LCSD Foundation	<u>\$ 72,142</u>	<u>\$ 1,719</u>	<u>\$ 96,153</u>	<u>\$ -</u>
General Revenues:				
Property Tax Levied For:				
General Purposes				
Capital Outlay				
Local Option Sales Tax				
Unrestricted State Grants				
Unrestricted Investment Earnings				
Gain on Sale of Assets				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning				
Prior Period Adjustment				
Net assets - beginning, as restated				
Net assets - ending				

See Accompanying Notes to Financial Statements

Net (Expense) Revenue and Changes in Net Assets			
Governmental Activities	Primary Government		Component Unit LCSD Foundation
	Business Type Activity	Total	
\$ (8,731,308)		\$ (8,731,308)	
(1,671,861)		(1,671,861)	
(264,097)		(264,097)	
(512,993)		(512,993)	
(644,927)		(644,927)	
(1,437,357)		(1,437,357)	
(1,212,770)		(1,212,770)	
(684,051)		(684,051)	
(85,047)		(85,047)	
(97,641)		(97,641)	
-		-	
<u>(15,342,052)</u>		<u>(15,342,052)</u>	
	\$ 9,479	9,479	
<u>(15,342,052)</u>	<u>9,479</u>	<u>(15,332,573)</u>	
			\$ 25,730
6,671,375	-	6,671,375	-
719,424	-	719,424	-
1,460,242	-	1,460,242	-
9,563,155	-	9,563,155	-
60,056	335	60,391	7,207
32,538	-	32,538	-
123,320	-	123,320	-
(12,387)	12,387	-	-
<u>18,617,723</u>	<u>12,722</u>	<u>18,630,445</u>	<u>7,207</u>
3,275,671	22,201	3,297,872	32,937
15,356,768	61,329	15,418,097	167,062
-	5,937	5,937	-
<u>15,356,768</u>	<u>67,266</u>	<u>15,424,034</u>	<u>167,062</u>
<u>\$ 18,632,439</u>	<u>\$ 89,467</u>	<u>\$ 18,721,906</u>	<u>\$ 199,999</u>

See Accompanying Notes to Financial Statements

LE MARS COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011

	General	Management Levy
<b>Assets</b>		
Cash and Pooled Investments	\$ 3,944,467	\$ 208,928
Receivables:		
Property Tax	61,211	4,237
Succeeding Year Property Tax	6,549,571	500,000
Accounts	5,005	-
Due from Other Governments	167,812	-
Prepaid Expenses	113,986	184,286
Restricted Assets:		
Cash and Pooled Investments	-	-
Total Assets	<u>10,842,052</u>	<u>897,451</u>
<b>Liabilities and Equity</b>		
Liabilities:		
Accounts Payable	136,965	-
Salaries and Benefits Payable	1,907,862	-
Deferred Revenue:	-	-
Succeeding Year Property Tax	6,549,571	500,000
Other	4,000	-
Total Liabilities	<u>8,598,398</u>	<u>500,000</u>
Fund Balances:		
Nonspendable:		
Prepaid Expenses	113,986	184,286
Restricted for:		
Categorical Funding	42,219	-
Debt Service	-	-
Management Levy Purposes	-	213,165
Student Activities	-	-
School Infrastructure	-	-
Physical Plant and Equipment	-	-
Unassigned	2,087,449	-
Total Fund Balances	<u>2,243,654</u>	<u>397,451</u>
Total Liabilities and Equity	<u>\$ 10,842,052</u>	<u>\$ 897,451</u>

See Accompanying Notes to Financial Statements

Capital Projects					
Physical Plant and Equipment Levy	Statewide Sales, Services and Use Tax	Debt Service	Nonmajor Fund Activity Fund	Total Governmental Funds	
\$ 517,507	\$ 8,096,114	\$ -	\$ 339,081	\$ 13,106,097	
6,123	-	-	-	71,571	
769,695	-	-	-	7,819,266	
212,511	-	-	-	217,516	
-	276,928	-	-	444,740	
-	-	-	-	298,272	
-	798,500	3,258	-	801,758	
1,505,836	9,171,542	3,258	339,081	22,759,220	
-	682,584	-	-	819,549	
-	-	-	-	1,907,862	
-	-	-	-	-	
769,695	-	-	-	7,819,266	
-	-	-	-	4,000	
769,695	682,584	-	-	10,550,677	
-	-	-	-	298,272	
-	-	-	-	42,219	
-	798,500	3,258	-	801,758	
-	-	-	-	213,165	
-	-	-	339,081	339,081	
-	7,690,458	-	-	7,690,458	
736,141	-	-	-	736,141	
-	-	-	-	2,087,449	
736,141	8,488,958	3,258	339,081	12,208,543	
\$ 1,505,836	\$ 9,171,542	\$ 3,258	\$ 339,081	\$ 22,759,220	

See Accompanying Notes to Financial Statements

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET ASSETS**  
**JUNE 30, 2011**

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Amounts reported for Governmental Activities in the Statement of Net assets are different because:

Total Fund Balance - Governmental Funds (page 19)			\$ 12,208,543
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.			15,210,992
An internal service fund is used by management to fund and maintain the District's partially self-insured health insurance plan provided to user departments and is included in the statement of net assets.			149,313
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.			(57,454)
Bond issue costs are reported in the governmental activities but are not reported in the governmental funds as they do not provide current economic resources.			87,250
Long-term liabilities, including bonds payable and other postemployment benefits payable, are not due and payable in the current year and therefore are not reported in the governmental funds.			
	General Obligation Bonds	\$ (575,000)	
	Revenue Bonds	(8,042,205)	
	OPEB Liability	(349,000)	(8,966,205)
Total Net Assets - Governmental Activities (page 15)			<u>\$ 18,632,439</u>

LE MARS COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011

	General	Management Fund
Revenue:		
Local Sources:		
Local Tax	\$ 6,239,466	\$ 431,909
Tuition	341,877	-
Other	225,789	87,465
State Sources	10,681,236	-
Federal Sources	1,306,757	-
Total Revenue	<u>18,795,125</u>	<u>519,374</u>
Expenditures:		
Governmental Activities:		
Instruction:		
Regular Instruction	9,098,306	349,721
Special Instruction	2,359,238	-
Other Instruction	392,621	-
Support Services:		
Student Services	524,518	-
Instructional Staff Services	758,813	-
Administration Services	1,453,631	-
Operation and Maintenance	1,198,788	50,179
Transportation Services	691,898	9,736
Other Expenditures:		
Facilities Acquisition and Construction	-	-
Long-term Debt:		
Principal	-	-
Interest and Fiscal Charges	-	-
AEA Flowthrough	913,065	-
Total Expenditures	<u>17,390,878</u>	<u>409,636</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,404,247</u>	<u>109,738</u>
Other Financing Sources (Uses):		
Transfers In	31,463	-
Transfers Out	-	-
Sale of Real Property	-	-
Revenue Bonds Issued	-	-
Premium on Revenue Bonds	-	-
Total Other Financing Sources (Uses)	<u>31,463</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	1,435,710	109,738
Fund Balances - Beginning of Year	<u>807,944</u>	<u>287,713</u>
Fund Balances - End of Year	<u>\$ 2,243,654</u>	<u>\$ 397,451</u>

See Accompanying Notes to Financial Statements

Capital Projects				
Physical Plant and Equipment Levy	Statewide Sales, Services and Use Tax	Debt Service	Nonmajor Fund Activity Fund	Total Governmental Funds
\$ 719,424	\$ 1,460,242	\$ -	\$ -	\$ 8,851,041
-	-	-	-	341,877
7,325	25,160	3,258	673,811	1,022,808
-	-	-	-	10,681,236
-	-	-	-	1,306,757
726,749	1,485,402	3,258	673,811	22,203,719
-	-	-	-	9,448,027
-	-	-	-	2,359,238
-	-	-	576,856	969,477
-	-	-	-	524,518
-	-	-	-	758,813
-	-	-	-	1,453,631
-	-	-	-	1,248,967
-	-	-	-	701,634
144,702	3,122,317	-	-	3,267,019
-	-	530,000	-	530,000
-	89,233	43,095	-	132,328
-	-	-	-	913,065
144,702	3,211,550	573,095	576,856	22,306,717
582,047	(1,726,148)	(569,837)	96,955	(102,998)
-	-	573,095	-	604,558
(573,095)	-	-	(43,850)	(616,945)
218,536	-	-	-	218,536
-	7,985,000	-	-	7,985,000
-	58,505	-	-	58,505
(354,559)	8,043,505	573,095	(43,850)	8,249,654
227,488	6,317,357	3,258	53,105	8,146,656
508,653	2,171,601	-	285,976	4,061,887
\$ 736,141	\$ 8,488,958	\$ 3,258	\$ 339,081	\$ 12,208,543

See Accompanying Notes to Financial Statements



**LE MARS COMMUNITY SCHOOL DISTRICT**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2011**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (page 22)	\$ 8,146,656
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Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Capital outlays exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	\$ 3,281,999	
Depreciation expense	(670,481)	2,611,518

Governmental funds report only the proceeds from the sale of capital assets as revenue whereas the statement of activities reports the gain or loss on the sale or disposal of fixed assets. This is the effect on the change in net assets on the statement of activities.	(185,998)
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Internal service funds are used by management to fund and maintain the District's health insurance provided to user departments. The net loss of the internal service funds is reported with governmental activities.	149,313
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The effect of bond issuance costs when new debt is issued, whereas, these amounts are deferred and amortized in the Statement of Activities.	87,250
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues.

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Other postemployment benefits	33,000
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Accrued interest expense not reported on the modified accrual basis.	(53,863)
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Proceeds from the issuance of long-term liabilities provide current financial resources to governmental funds, but the issuance of debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year payments exceeded issuances, as follows:

Long-term debt issued	(7,985,000)	
Premium on Long-term debt issued	(57,205)	
Principal paid	530,000	(7,512,205)

Change in net assets of governmental activities (page 17)	\$ <u>3,275,671</u>
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LE MARS COMMUNITY SCHOOL DISTRICT  
COMBINING STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2011

	Business Type Activity School Nutrition Fund	Governmental Activities Internal Service
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Pooled Investments	\$ 58,685	\$ 159,115
Inventories	13,847	-
Prepaid Expenses	1,959	-
Total Current Assets	<u>74,491</u>	<u>159,115</u>
<b>Noncurrent Assets:</b>		
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	<u>28,533</u>	<u>-</u>
Total Noncurrent Assets	<u>28,533</u>	<u>-</u>
Total Assets	<u>103,024</u>	<u>159,115</u>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts Payable	592	9,802
Unearned Revenue	<u>12,965</u>	<u>-</u>
Total Current Liabilities	<u>13,557</u>	<u>9,802</u>
Total Liabilities	<u>13,557</u>	<u>9,802</u>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	28,533	-
Unrestricted	<u>60,934</u>	<u>149,313</u>
Total Net Assets	<u>\$ 89,467</u>	<u>\$ 149,313</u>

LE MARS COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011

	Business Type Activity School Nutrition Fund	Governmental Activities Internal Service
Operating Revenues:		
Charges for services	\$ 370,643	\$ 321,486
Miscellaneous	-	-
Total Operating Revenue	370,643	321,486
Operating Expenditures:		
Food Service Operations:		
Salaries	252,662	-
Benefits	74,330	-
Purchased Services	16,871	-
Supplies	374,121	-
Depreciation	3,109	-
Loss on Disposal of Capital Assets	473	-
Other Enterprise Operations:		
Benefits	-	144,495
Purchased Services	-	28,160
Total Operating Expenditures	721,566	172,655
Operating Loss	(350,923)	148,831
Non-Operating Revenues:		
Interest Income	335	482
State Lunch Reimbursements	7,417	-
National School Lunch Program	298,559	-
Federal Food Commodities Received	52,389	-
Total Non-Operating Revenues	358,700	482
Income Before Transfers	7,777	149,313
Other Financing Sources:		
Transfers from other Funds	12,387	-
Capital Contributions	2,037	-
Total Other Financing Sources	14,424	-
Change in net assets	22,201	149,313
Net Assets - Beginning of Year	61,329	-
Prior Period Adjustment	5,937	-
Net Assets - Beginning of Year, As Restated	67,266	-
Net Assets - End of Year	\$ 89,467	\$ 149,313

See Accompanying Notes to Financial Statements

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	Business Type Activity School Nutrition Fund	Governmental Activities Internal Service
<b>Cash flows from operating activities:</b>		
Cash received from sale of lunches and breakfasts	\$ 372,285	\$ -
Cash received from miscellaneous operating activities	-	321,486
Cash payments for salaries and benefits	(326,992)	-
Cash payments for goods and services	(339,749)	(162,853)
<b>Total cash (used) by operating activities</b>	<b>(294,456)</b>	<b>158,633</b>
<b>Cash flows from non-capital financing activities:</b>		
Federal and state appropriations received	305,976	-
Transfers from other funds	12,387	-
<b>Total cash provided by noncapital financing activities</b>	<b>318,363</b>	<b>-</b>
<b>Cash flows from capital and related financing activities:</b>		
Acquisition of capital assets	(930)	-
<b>Cash flows from investing activities:</b>		
Interest on investments	335	482
<b>Net increase in cash and cash equivalents</b>	<b>23,312</b>	<b>159,115</b>
Cash and cash equivalents - beginning of year	35,373	-
Cash and cash equivalents - end of year	<u>\$ 58,685</u>	<u>\$ 159,115</u>
<b>Reconciliation of operating (loss) to net cash used in operating activities:</b>		
Operating Income (loss)	(350,923)	148,831
Adjustments to reconcile net operating loss to net cash provided by operating activities:		
Depreciation Expense	3,109	-
Loss On Sale Of Fixed Assets	473	-
Commodities Used	52,389	-
(Increase) decrease in assets and increase (decrease) in liabilities:		
Accounts Receivable	140	-
Inventory	317	-
Prepaid Expenses	(1,959)	-
Accounts Payable	496	9,802
Unearned Revenue	1,502	-
<b>Net cash provided (used) in operating activities</b>	<b>\$ (294,456)</b>	<b>\$ 158,633</b>
<b>Supplemental schedule of noncash investing, capital, and related financing activities:</b>		
Federal food commodities received	\$ 52,389	\$ -
Capital Contributions	\$ 2,037	\$ -

See Accompanying Notes to Financial Statements

LE MARS COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
AGENCY FUND  
JUNE 30, 2011

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	<u>2011</u>
Cash and Cash Equivalents	\$ 9,268
Total Net Assets	<u>9,268</u>
Liabilities:	
Other Payables	<u>9,268</u>
Net Assets	<u><u>\$ -</u></u>

See Accompanying Notes to Financial Statements

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2011**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Le Mars Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Le Mars, Merrill and Brunsville and a large part of the agricultural community in Plymouth County and is financially dependent on property taxes of the area and state aid payments for over 80% of its receipts. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Government Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, Le Mars Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District.

In January 1992 the District established the Le Mars Community School District Foundation by appointing a board of trustees to incorporate a foundation under the Iowa Non-Profit Corporation Act, Iowa Code Chapter 504A. The focus of the Foundation is exclusively for charitable, scientific, and educational purposes of the District. The financial activity of the Foundation is included in the financial statements of the Le Mars Community School District as a discretely presented component unit for the year ended June 30, 2011. The Foundation has elected a December 31 fiscal year end and, therefore, the activity of the Foundation included in these financial statements is for the fiscal year ended December 31, 2010.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Plymouth County Assessor's Conference Board.

**B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

LE MARS COMMUNITY SCHOOL DISTRICT  
Notes to the Financial Statements  
June 30, 2011

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Management Fund is used to account for a property tax levy per thousand dollars of assessed valuation in the District for insurance premiums and unemployment compensation insurance claims.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Project - Physical Plant and Equipment Levy Fund is used to account for a regular property tax levy and a special voted property tax levy per thousand dollars of assessed valuation in the District for use in the purchase of equipment and repairing and improving schoolhouse buildings and grounds.

The Capital Project – Statewide Sales, Services and Use Tax Fund is used to account for the collection of the 1% statewide sales and services tax to be expended for school infrastructure purposes.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

Additionally, the District reports the following fund types:

Internal Service Funds – Internal Service Funds account for operations that provide services to other departments or agencies of the government, or to other governments on a cost-reimbursement basis.

LE MARS COMMUNITY SCHOOL DISTRICT  
Notes to the Financial Statements  
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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The District's internal service fund is presented in the proprietary fund financial statements. Because the principal users of the internal services are the District's governmental activities, the financial statements of the internal service fund are consolidated into the governmental activities column when presented in the government-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity.

A description of the District's internal service fund is as follows:

Split-Funding Health Insurance – To account for the funding and maintenance of the District's partial self-funded health insurance provided to District employees.

Fiduciary Funds – Fiduciary Funds focus on net assets and changes in net assets. The District's fiduciary fund is as follows:

Agency Fund - To account for assets held by the District as an agent for individuals. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

**C. Basis of Accounting/Measurement Focus**

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.



LE MARS COMMUNITY SCHOOL DISTRICT  
Notes to the Financial Statements  
June 30, 2011

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)**

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary funds of the District apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**D. Assets, Liabilities, and Fund Equity**

The following accounting policies are followed in preparing the financial statements:

**Cash, Pooled Investments and Cash Equivalents** – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost and the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2011 included certificates of deposit of \$80,190 with original maturity dates longer than three months.

**Due from Other Governments** – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

**Property Tax Receivable** – Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

LE MARS COMMUNITY SCHOOL DISTRICT  
Notes to the Financial Statements  
June 30, 2011

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2010.

**Inventories** – Inventory items are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

**Prepaid Expenses** – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Capital Assets** – Capital assets, which include property, furniture, and equipment and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of \$1,000 for governmental capital assets and \$500 for school nutrition capital assets.

Capital Assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings and Structures	20 – 50
Vehicles, Furniture, and Equipment	5 - 20

**Salaries and Benefits Payable** – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

**Deferred Revenue** – Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end, excluding grant receivables.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

**Long-Term Liabilities** – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

**Fund Equity** – In the governmental fund financial statements, fund balances are classified as follows:

LE MARS COMMUNITY SCHOOL DISTRICT  
Notes to the Financial Statements  
June 30, 2011

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Restricted*** – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

***Committed*** – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

***Unassigned*** – All amounts not included in other spendable classification.

**Restricted Net Assets** – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

**E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, expenditures in the other expenditures service function exceeded the amount budgeted.

**NOTE 2 – CASH AND POOLED INVESTMENTS**

The District's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; and certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2011, the District had investments in the Iowa Schools Joint Investment Trust Diversified Fund Portfolio which are valued at an amortized cost of \$4,120,220 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The Diversified Portfolio is a professionally managed portfolio of U.S. government and federal agency securities, collateralized certificates of deposit of Iowa financial institutions and collateralized perfected repurchase agreements. All such securities have final maturities of no greater than 397 days from the date of purchase and the Portfolio maintains a maximum dollar weighted average maturity of 60 days or less.

**Credit Risk** – The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

**Custodial Credit Risk** – The District has no policy in place regarding custodial credit risk and deposits with financial institutions, however, deposits are insured by the state sinking fund, which provides for additional assessments against depositories to avoid loss of public funds.

LE MARS COMMUNITY SCHOOL DISTRICT  
Notes to the Financial Statements  
June 30, 2011

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**NOTE 2 – CASH AND POOLED INVESTMENTS (CONTINUED)**

**Interest Rate Risk** – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does have a formal investment policy that limits investment maturities to 397 days or less. The District's investments consist of certificates of deposit that have original maturities of less than 397 days.

**Discretely Presented Component Unit –**

At June 30, 2011 the LCSD Foundation had certificates of deposit totaling \$124,016 and the following investments:

	<b>Credit Risk</b>	<b>Fair Value</b>
Mutual Fund – American Funds	Not Rated	\$ 28,436
Stock	N/A	\$ 13,998
	<b>Credit Risk</b>	<b>Policy Cash Value</b>
New York Life Insurance Policy	Not Rated	\$ 7,269

**NOTE 3 – AREA EDUCATION AGENCY**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$913,065 for the year ended June 30, 2011, and is recorded in the General Fund.

**NOTE 4 – INTERFUND TRANSFERS**

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Debt Service	PPEL	\$ 573,095
School Nutrition Fund	Student Activity	12,387
General	Student Activity	31,463
Total		<u>\$ 616,945</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

LE MARS COMMUNITY SCHOOL DISTRICT  
Notes to the Financial Statements  
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**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2011 was as follows:

	Balance July 1, 2010	Additions	Deletions	Reclassifications	Balance June 30, 2011
<b>Governmental Activities:</b>					
Capital assets not being depreciated:					
Land	\$ 187,286	\$ 19,950	\$ 11,000	\$ -	\$ 196,236
Construction in Progress	327,936	2,823,758	1,028,229	-	2,123,465
Total capital assets not being depreciated	515,222	2,843,708	1,039,229	-	2,319,701
Capital assets being depreciated:					
Land Improvements	205,989	-	-	-	205,989
Buildings	17,252,168	1,091,279	487,298	2,035	17,858,184
Vehicles	1,572,479	143,106	127,008	1,351	1,589,928
Furniture and equipment	3,256,378	232,135	44,274	(3,386)	3,440,853
Total Capital assets being depreciated	22,287,014	1,466,520	658,580	-	23,094,954
Less: Accumulated Depreciation for:					
Land Improvements	119,270	4,120	-		123,390
Buildings	6,240,776	395,197	317,699	(3,852)	6,314,422
Vehicles	1,197,529	101,888	127,008	1,351	1,173,760
Furniture and equipment	2,459,189	169,276	38,875	2,501	2,592,091
Total Accumulated Depreciation	10,016,764	670,481	483,582	-	10,203,663
Total capital assets being depreciated, net	12,270,250	796,039	174,998	-	12,891,291
Governmental activities capital assets, net	\$12,785,472	\$3,639,747	\$1,214,227	\$ -	\$15,210,992

Construction in progress at June 30, 2011, for the governmental activities consisted of costs associated with the engineering and construction for the high school and middle school expansion project.

	Balance July 1, 2010 (As Restated) (See Note 12)	Additions	Deletions	Balance June 30, 2011
<b>Business-type Activities:</b>				
Furniture and equipment	\$ 73,756	\$ 2,967	\$ 1,420	\$ 75,303
Less: Accumulated Depreciation	44,608	3,109	947	46,770
Business-type activities capital assets, net	\$ 29,148	\$ (142)	\$ 473	\$ 28,533

LE MARS COMMUNITY SCHOOL DISTRICT  
Notes to the Financial Statements  
June 30, 2011

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**NOTE 5 – CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged to governmental activities as follows:

Governmental Activities	
Regular Instruction	\$ 516,207
Instructional Staff Services	16,132
Operation and Maintenance	36,254
Transportation Services	<u>101,888</u>
Total depreciation expense – governmental activities	<u>\$ 670,481</u>
Business-type activities:	
Food Service Operations	<u>\$ 3,109</u>

Reconciliation of Invested in Capital Assets:

	Governmental Activities	Business-type Activities
Land	\$ 196,236	\$ -
Construction in Progress	2,123,465	-
Capital Assets (net of accumulated depreciation)	12,891,291	28,533
Less: Bonds Payable	575,000	-
Revenue Bonds Payable	<u>2,123,465</u>	<u>-</u>
Invested in Capital Assets, Net of Related Debt	<u>\$ 12,512,527</u>	<u>\$ 28,533</u>

**NOTE 6 – RETIREMENT SYSTEM**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 4.50% of their annual salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$808,397, \$820,679, and \$721,680, respectively, equal to the required contributions for each year.

**NOTE 7 – OTHER POST EMPLOYMENT BENEFITS**

*Plan Description.* The District operates a single-employer retiree benefit plan. Beginning in 2011, an employee who has a minimum of 10 years of service and age 55 is provided \$300 per month toward health insurance until they reach the age of Medicare eligibility.

Prior to 2011, an employee who met the years of service and age requirement was provided single coverage health insurance until the age of Medicare eligibility. Premiums are based on the full active employee premium rate.

The health insurance is provided through a partially self-funded plan through Wellmark and administered by Three Rivers Benefit Corporation.

*Funding Policy.* The District currently finances the retiree benefit plan on a pay-as-you-go basis.

LE MARS COMMUNITY SCHOOL DISTRICT  
Notes to the Financial Statements  
June 30, 2011

**NOTE 7 – OTHER POST EMPLOYMENT BENEFITS (CONTINUED)**

*Annual OPEB Cost and NET OPEB Obligation.* The District's annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

The following table shows the components of the District's annual OPEB for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the plan:

Annual required contribution	\$ 250,000
Interest on net OPEB obligation	17,000
Adjustment to annual required contribution	<u>(15,000)</u>
Annual OPEB cost (Expense)	252,000
Contributions made	<u>(285,000)</u>
(Decrease) in net OPEB obligation	(33,000)
Net OPEB obligation – beginning of year	<u>382,000</u>
Net OPEB obligation – end of year	<u><u>\$ 349,000</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2010. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2011 are summarized as follows:

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
2011	\$ 252,000	113.1%	\$ 349,000
2010	\$ 352,000	45.74%	\$ 382,000
2009	\$ 352,000	45.74%	\$ 191,000

*Funded Status and Funding Progress.* As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$3,455,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,455,000. The covered payroll (annual payroll of the active employees covered by the plan) was approximately \$11,070,000 and the ratio of the UAAL to covered payroll was 31.21%. As of June 30, 2011, there were no trust fund assets.

*Actuarial Methods and Assumptions.* Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarial determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of

**LE MARS COMMUNITY SCHOOL DISTRICT**  
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**NOTE 7 – OTHER POST EMPLOYMENT BENEFITS (CONTINUED)**

short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2010 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5% interest discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 6%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate. Assumptions include a 3.5% growth in payroll per annum. Mortality rates are from the RP 2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2009 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2009. The participation assumed is 100% for all employees. The unfunded actuarial accrued liability (UAAL) is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**NOTE 8 – LONG-TERM LIABILITIES**

Changes in long-term liabilities for the year ended June 30, 2011 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Capital					
Loan Notes	\$ 1,105,000	\$ -	\$ 530,000	\$ 575,000	\$ 575,000
Revenue Bonds	-	7,985,000	-	7,985,000*	-
Net OPEB Liability	382,000	-	33,000	349,000	-
Total	\$ 1,487,000	\$ 7,985,000	\$ 563,000	\$ 8,909,000	\$ 575,000

\*The District's revenue bonds are shown gross with the premium of \$57,205 on the Statement of Net Assets.

**Revenue Bonds**

Details of the District's June 30, 2011 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of April 6, 2011			
	Interest Rates	Principal	Interest	Total
2012	2.0%	\$ -	\$ 175,913	\$ 175,913
2013	2.0%	500,000	229,550	729,550
2014	2.0%	665,000	217,900	882,900
2015	2.0%	680,000	204,450	884,450
2016	3.0%	695,000	187,225	882,225
2017-2021	3.0%-3.375%	3,760,000	605,506	4,365,506
2022-2023	3.50%-3.625%	1,685,000	61,200	1,746,200
		<u>\$ 7,985,000</u>	<u>\$ 1,681,744</u>	<u>\$ 9,666,744</u>



LE MARS COMMUNITY SCHOOL DISTRICT  
Notes to the Financial Statements  
June 30, 2011

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**NOTE 7 – OTHER POST EMPLOYMENT BENEFITS (CONTINUED)**

The District has pledged future statewide sales, services and use tax revenues to repay the \$7,985,000 of bonds issued in April, 2011. The bonds were issued for the purpose of financing a portion of the costs of the high school/middle school expansion projects. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2023. The bonds are not a general obligation of the District. Annual principal and interest payments on the bonds are expected to require nearly 100% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$9,666,744. For the current year, no principal or interest was paid on the bonds and total statewide sales, services and use tax revenues were \$1,410,388.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$798,500 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

The District was in compliance with all of the revenue bond provisions during the year ended June 30, 2011.

**General Obligation Bonds**

The District issued general obligation capital loan notes to provide funds for the acquisition and construction of major capital facilities and projects. General obligation bonds have been issued for governmental activities. These bonds are direct obligations and pledge the full faith and credit of the District.

General obligation bonds as of June 30, 2011 are as follows:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Amounts</u>
Governmental Activities – 2007 Capital Loan Notes	3.90%	\$ 575,000

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 575,000	\$ 22,425
Total	<u>\$ 575,000</u>	<u>\$ 22,425</u>

LE MARS COMMUNITY SCHOOL DISTRICT  
Notes to the Financial Statements  
June 30, 2011

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**NOTE 9 – RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 10 – CONSTRUCTION COMMITMENTS**

The District has entered into contracts totaling \$7,101,453 for the high school/middle school expansion project. As of June 30, 2011, costs of \$2,114,209 had been incurred against the contracts. The balance of the contracts will be paid as work on the projects progress.

**NOTE 11 – SPLIT FUNDING HEALTH INSURANCE PLAN**

The District's Split Funding Health Insurance Fund was established during the current year to account for the partial self-funding of the District's health insurance plan. The plan is funded by District contributions and is administered through a service agreement with Three Rivers Benefit Corporation. The agreement is subject to automatic renewal provisions. The District assumes liability for deductible amounts of \$1,000 to \$1,800 depending on the coverage selected by the employee.

Monthly payments of service fees and plan contributions to the District's Split Funding Health Insurance Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims are paid from the Split Funding Health Insurance Fund. The District records the plan assets and related liabilities of the Split Funding Health Insurance Fund as an Internal Service Fund.

Claims payable and estimated claims incurred but not reported are recorded as liabilities of the Internal Services Fund.

Claims Payable at June 30, 2010	\$ -
Claims Paid	(134,693)
Claims Incurred	<u>144,495</u>
Claims Payable at June 30, 2011	<u>\$ 9,802</u>

**NOTE 12 – PRIOR PERIOD ADJUSTMENT**

During the year it was discovered that the District had omitted certain capital assets exceeding their capitalization policy from the School Nutrition Enterprise Fund.

It was determined that \$12,198 of equipment additions and \$6,261 of related depreciation had been omitted from the capital asset listing in error. To correct this error, the beginning net asset balance of the School Nutrition Enterprise Fund was increased by \$5,937.

**NOTE 13 – ACCOUNTING CHANGE / RESTATEMENT**

Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, was implemented during the year ended June 30, 2011. As a result, the Physical Plant and Equipment Levy Fund was reclassified from a special revenue fund to a capital project fund.

## REQUIRED SUPPLEMENTARY INFORMATION

LE MARS COMMUNITY SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN BALANCES -  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND

REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Governmental Funds	Proprietary Fund	Total	Final to Actual
	Original	Final	Actual	Actual	Actual	Variance
<b>REVENUE:</b>						
Local Sources:						
Local Tax	\$ 7,345,330	\$ 7,345,330	\$ 8,851,041	\$ -	\$ 8,851,041	\$ 1,505,711
Tuition	375,000	375,000	341,877	-	341,877	(33,123)
Other	2,700,500	2,700,500	1,022,808	370,978	1,393,786	(1,306,714)
Intermediate Sources	85,000	85,000	-	-	-	(85,000)
State Sources	11,653,007	11,653,007	10,681,236	7,417	10,688,653	(964,354)
Federal Sources	923,000	923,000	1,306,757	350,948	1,657,705	734,705
Total Revenue	23,081,837	23,081,837	22,203,719	729,343	22,933,062	(148,775)
<b>EXPENDITURES:</b>						
Current:						
Instruction	13,210,000	13,300,000	12,776,742	-	12,776,742	523,258
Support Services	5,045,000	6,278,726	4,687,563	-	4,687,563	1,591,163
Non-instructional Programs	740,000	740,000	-	721,566	721,566	18,434
Other Expenditures	2,797,860	4,086,160	4,842,412	-	4,842,412	(756,252)
Total Expenditures	21,792,860	24,404,886	22,306,717	721,566	23,028,283	1,376,603
Excess (Deficiency) of Revenues Over Expenditures	1,288,977	(1,323,049)	(102,998)	7,777	(95,221)	1,227,828
Other Financing Sources (Uses):						
Transfers In	573,095	573,095	604,558	12,387	616,945	43,850
Transfers Out	(573,095)	(573,095)	(616,945)	-	(616,945)	(43,850)
Capital Contribution	-	-	-	2,037	2,037	2,037
Sale of Real Property	-	-	218,536	-	218,536	218,536
Revenue Bonds Issued	-	-	7,985,000	-	7,985,000	7,985,000
Premium on Revenue Bonds	-	-	58,505	-	58,505	58,505
Total Other Financing Sources (Uses)	-	-	8,249,654	14,424	8,264,078	8,264,078
Net Change in Fund Balances	1,288,977	(1,323,049)	8,146,656	22,201	8,168,857	9,491,906
Fund Balances - Beginning of Year	4,123,216	4,123,216	4,061,887	61,329	4,123,216	-
Prior Period Adjustment	-	-	-	5,937	5,937	5,937
Fund Balances - Beginning of Year, As Restated	4,123,216	4,123,216	4,061,887	67,266	4,129,153	5,937
Fund Balances - End of Year	\$ 5,412,193	\$ 2,800,167	\$ 12,208,543	\$ 89,467	\$ 12,298,010	\$ 9,497,843

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Notes to Required Supplementary Information – Budgetary Reporting**  
**For the Year Ended June 30, 2011**

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This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except the agency fund and internal service fund. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional area level, not by fund. This level of control is at a level higher than the individual fund. It is necessary, therefore, to aggregate the expenditures of governmental funds with expenses of proprietary funds on a functional area basis and to compare such functional area totals to functional area budgeted totals in order to demonstrate legal compliance with budget. The Code of Iowa also provides that District disbursements in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$2,612,026.

During the year ended June 30, 2011, expenditures in the other expenditures service function exceeded the amount budgeted.

LE MARS COMMUNITY SCHOOL DISTRICT  
Schedule of Funding Progress for the  
Retiree Health Plan  
(In Thousands)

Required Supplementary Information							
Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	-	\$ 3,918	\$ 3,918	0.00%	\$ 11,415	34.32%
2010	July 1, 2008	-	\$ 3,918	\$ 3,918	0.00%	\$ 11,510	34.04%
2011	July 1, 2010	-	\$ 3,455	\$ 3,455	0.00%	\$ 11,070	31.21%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

## OTHER SUPPLEMENTARY INFORMATION

LE MARS COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2011

Schedule 1

Revenues:

Local Sources:

Local Tax:

Property Tax	\$ 6,225,347
Mobile Home Tax	14,119
	<u>6,239,466</u>

Other Local Sources:

Interest on Investments	24,314
Tuition from Other Districts	273,278
Tuition from Individuals	68,599
Transportation Fees	11,953
Rent	62,262
Miscellaneous	127,260
	<u>567,666</u>
	<u>6,807,132</u>

State Sources:

State Foundation Aid	9,545,095
Foster Care State Aid	18,060
Beginning Teacher Mentoring Program	5,200
Administrator Mentoring Program	1,500
Non-Public Transportation Aid	100,742
Non-Public Textbook and Technology Aid	7,620
Vocational Education Aid	19,358
Preschool Funding	70,596
AEA Flow-Through	913,065
	<u>10,681,236</u>

Federal Sources:

Title I Grants to Local Educational Agencies	198,789
Title I Grants to Local Educational Agencies - ARRA	63,578
Improving Teacher Quality State Grants	68,425
State Fiscal Stabilization Fund (SFSF) Education State Grants- ARRA	110,346
State Fiscal Stabilization Fund (SFSF) - Government Services - ARRA	98,423
Education Jobs Fund	419,287
Career and Technical Education - Basic Grants to States	16,988
Special Education Pass-Through - IDEA Grant	125,513
Special Education Pass-Through - IDEA Grant - ARRA	100,062
English Language Acquisition Grants	6,148
Title VI Grants for Assessments and Related Activities	13,761
Medicaid	85,437
	<u>1,306,757</u>
Total Revenue	<u>\$ 18,795,125</u>

Continued



LE MARS COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
GENERAL FUND - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2011

Schedule 1 (Continued)

Expenditures:

**Instruction:**

Regular Instruction:

Salaries	\$ 6,376,286
Benefits	2,142,754
Services	431,488
Supplies	122,961
Property	24,817
	<u>9,098,306</u>

Special Education Instruction:

Salaries	1,650,869
Benefits	502,829
Services	183,213
Supplies	11,089
Property	11,238
	<u>2,359,238</u>

Vocational Instruction:

Supplies	14,998
Property	2,132
	<u>17,130</u>

Co-curricular Instruction:

Salaries	274,594
Benefits	76,772
Services	10,615
Supplies	915
	<u>362,896</u>

Nonpublic Instruction:

Supplies	7,620
	<u>7,620</u>

Adult Continuing Education

Salaries	2,251
Benefits	735
Supplies	1,989
	<u>4,975</u>

**Total Instruction**

11,850,165

**Support Services:**

**Student Services:**

Guidance Services:

Salaries	328,626
Benefits	100,871
Services	98
Supplies	4,923
Property	195
	<u>\$ 434,713</u>

Continued

LE MARS COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
GENERAL FUND - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2011

Schedule 1 (Continued)

**Support Services (Continued):**

**Student Services (Continued):**

Health Services:

Salaries	\$ 51,686
Benefits	29,991
Services	1,549
Supplies	6,069
Property	510
	<u>89,805</u>

<b>Total Student Services</b>	<u>524,518</u>
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**Support Services:**

**Instructional Staff Services:**

Improvement of Instruction Services:

Salaries	225,228
Benefits	57,164
Services	6,185
Supplies	17,458
	<u>306,035</u>

Educational Media Services:

Salaries	159,286
Benefits	35,326
Supplies	24,866
	<u>219,478</u>

Other Instructional Staff Support Services:

Salaries	115,020
Benefits	36,405
Services	16,131
Supplies	62,459
Property	3,285
	<u>233,300</u>

<b>Total Instructional Staff Services</b>	<u>758,813</u>
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**Support Services:**

**Administration Services:**

Executive Administration:

Salaries	217,642
Benefits	95,263
Services	58,325
Supplies	6,662
	<u>\$ 377,892</u>

Continued

LE MARS COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
GENERAL FUND - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2011

Schedule 1 (Continued)

**Support Services (Continued):**

**Administration Services (Continued):**

School Administration:

Salaries	\$ 649,477
Benefits	287,213
Services	3,245
Supplies	3,240
	<u>943,425</u>

Business Administration:

Salaries	29,835
Benefits	15,007
Supplies	25,047
Property	1,879
	<u>71,768</u>

Board of Education:

Services	51,690
Supplies	8,856
	<u>60,546</u>

<b>Total Administration Services:</b>	<u>1,453,631</u>
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**Support Services:**

**Plant Operation and Maintenance:**

Salaries	576,761
Benefits	203,967
Services	81,114
Supplies	335,302
Property	1,644
	<u>1,198,788</u>

**Support Services:**

**Student Transportation:**

Salaries	411,285
Benefits	86,941
Services	47,302
Supplies	146,071
Property	299
	<u>691,898</u>

<b>Total Support Services</b>	<u>\$ 4,627,648</u>
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Continued

LE MARS COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
GENERAL FUND - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2011

Schedule 1 (Continued)

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<b>Other Expenditures:</b>	
AEA Flow-Through	<u>\$ 913,065</u>
Total Expenditures	<u>17,390,878</u>
Excess of Revenues Over Expenditures	<u>1,404,247</u>
Other Financing Uses:	
Transfers From Other Funds	<u>31,463</u>
Excess of Revenues Over Expenditures and Other Financing Uses	1,435,710
Fund Balance - Beginning of Year	<u>807,944</u>
Fund Balance - End of Year	<u><u>\$ 2,243,654</u></u>

LE MARS COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 2011

	Balance June 30, 2010	Revenues	Expenditures	Operating/ Intrafund Transfers	Schedule 2 Balance June 30, 2011
<b>Senior High</b>					
Bark	\$ 7,755	\$ 14,910	\$ 16,902	\$ -	\$ 5,763
F.F.A.	16,392	38,729	29,546	-	25,575
Miscellaneous Music	2,268	29,510	28,264	-	3,514
F.C.A.	263	1,103	970	-	396
Library	2,416	656	1,490	-	1,582
Vocal Music	1,503	19,014	16,508	-	4,009
Instrumental Music	7,338	119,682	124,864	-	2,156
Music Orchestra	2,255	8,254	8,412	-	2,097
National Honor Society	-	1,019	1,019	-	-
Dance Team	1,809	11,411	10,362	-	2,858
Student Council	9,338	57,166	52,133	-	14,371
Thespians	1,319	1,487	694	-	2,112
Spanish Club	3,798	3,544	3,727	-	3,615
Drama	8,605	2,953	1,874	-	9,684
Trades and Industries	12,758	6,428	6,520	-	12,666
Miscellaneous Athletics	22,816	172,844	158,890	-	36,770
Clearing	12,023	53,949	42,529	(10,568)	12,875
Cheerleaders	4,325	8,199	8,765	-	3,759
Senior Class	1,380	1,936	1,724	-	1,592
Junior Class	-	3,220	3,220	-	-
Sophomore Class	-	56	56	-	-
Freshman Class	-	69	69	-	-
Miscellaneous	104,492	24,151	3,884	-	124,759
Technology Club	346	428	338	-	436
Home Economics Club	752	-	-	-	752
Math Club	2,653	2,420	2,250	-	2,823
Science Club	105	3,863	3,780	-	188
Basketball Scoreboard Club	89	-	-	-	89
Adaptive PE	53	190	200	-	43
Make-A-Wish Club	3,200	322	-	-	3,522
Madrigal Club	602	-	210	-	392
	<u>\$ 230,653</u>	<u>\$ 587,513</u>	<u>\$ 529,200</u>	<u>\$ (10,568)</u>	<u>\$ 278,398</u>

(Continued)

LE MARS COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 2011

Schedule 2 (Continued)					
	Balance June 30, 2010	Revenues	Expenditures	Operating/ Intrafund Transfers	Balance June 30, 2011
<b>Middle School</b>					
Miscellaneous	\$ 4,002	\$ 1,195	\$ 1,809	\$ -	\$ 3,388
Student Council	13,176	9,190	6,448	-	15,918
Library	565	4,894	5,213	-	246
Clearing	286	21,796	10,551	(10,819)	712
Music	4,590	6,815	7,629	-	3,776
Musical	3,223	-	60	-	3,163
Instrument Rental	4,428	1,555	-	-	5,983
Family & Consumer Science	14	5,438	5,379	-	73
Art	501	1,000	990	-	511
	<u>30,785</u>	<u>51,883</u>	<u>38,079</u>	<u>(10,819)</u>	<u>33,770</u>
 <b>Elementary School</b>	 <u>24,538</u>	 <u>34,415</u>	 <u>9,577</u>	 <u>(22,463)</u>	 <u>26,913</u>
 Total for Activity Funds	 <u>\$ 285,976</u>	 <u>\$ 673,811</u>	 <u>\$ 576,856</u>	 <u>\$ (43,850)</u>	 <u>\$ 339,081</u>

LEMARS COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF CHANGES IN NET ASSETS AND LIABILITIES -  
 AGENCY FUND  
 FOR THE YEAR ENDED JUNE 30, 2011

				Schedule 3
	Balance			Balance
	July 1, 2010	Additions	Deductions	June 30, 2011
<b><u>FLEX</u></b>				
<u>Assets</u>				
Cash and Pooled Investments	\$ 8,733	\$ 134,424	\$ 133,889	\$ 9,268
Total Assets	8,733	134,424	133,889	9,268
<u>Liabilities</u>				
Other Payables	8,733	134,424	133,889	9,268
Total Liabilities	\$ 8,733	\$ 134,424	\$ 133,889	\$ 9,268

LE MARS COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
ALL GOVERNMENTAL FUNDS  
FOR THE NINE YEARS ENDED JUNE 30, 2011

	Modified Accrual Basis of Accounting			
	2011	2010	2009	2008
Revenues:				
Local Sources:				
Local Tax	\$ 8,851,041	\$ 8,107,279	\$ 7,509,783	\$ 7,319,695
Tuition	341,877	418,088	364,507	291,281
Other	1,022,808	971,973	960,246	1,076,052
Intermediate Sources	-	-	-	-
State Sources	10,681,236	9,496,323	10,830,511	10,778,651
Federal Sources	1,306,757	1,631,881	758,845	502,542
Total	22,203,719	20,625,544	20,423,892	19,968,221
Expenditures:				
Instruction:				
Regular	9,448,027	9,654,607	9,747,060	9,612,172
Special	2,359,238	2,409,307	2,084,682	2,139,082
Other	969,477	1,024,017	973,705	895,369
Support Services:				
Student	524,518	516,667	483,120	608,896
Instructional Staff	758,813	765,408	774,973	831,430
Administration	1,453,631	1,525,895	1,491,463	1,563,202
Operation and maintenance of plant	1,248,967	1,252,760	1,227,116	1,199,054
Transportation	701,634	701,436	686,796	696,615
Non-instructional programs	-	-	-	-
Other Expenditures:				
Facilities Acquisition	3,267,019	998,090	1,385,729	4,082,584
Long-term debt:				
Principal	530,000	515,000	490,000	90,000
Interest and other charges	132,328	63,180	82,290	53,864
AEA Flowthrough	913,065	905,931	804,981	785,738
Total	\$ 22,306,717	\$ 20,332,298	\$ 20,231,915	\$ 22,558,006



## Schedule 4

Modified Accrual Basis of Accounting				
2007	2006	2005	2004	2003
\$ 6,879,567	\$ 6,604,110	\$ 6,628,157	\$ 5,878,035	\$ 5,604,694
348,482	370,821	329,692	303,384	314,257
1,098,699	1,048,247	914,625	867,964	1,086,775
-	34,263	9,705	-	-
10,150,311	9,570,986	9,156,434	8,531,215	8,464,480
480,901	485,875	447,639	405,558	374,586
18,957,960	18,114,302	17,486,252	15,986,156	15,844,792
8,964,243	8,321,990	7,930,904	7,941,756	7,332,540
2,030,077	1,806,407	1,677,212	1,695,325	1,701,909
948,924	360,416	362,484	476,896	391,762
590,864	1,186,511	1,124,852	1,031,719	1,110,276
773,251	843,276	537,380	480,195	513,008
1,499,834	1,505,878	1,467,137	1,365,529	1,322,729
1,137,232	1,142,788	1,076,236	1,093,933	1,060,411
640,820	651,374	588,434	557,706	601,884
-	143,645	74,133	123,537	96,395
895,540	972,783	434,504	-	265,514
290,000	400,000	785,000	755,000	660,000
13,486	30,686	64,700	95,958	169,274
749,734	685,660	662,771	657,856	688,078
\$ 18,534,005	\$ 18,051,414	\$ 16,785,747	\$ 16,275,410	\$ 15,913,780

LE MARS COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2011

			Schedule 5
Grantor/Program	CFDA Number	Grant Number	Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY11	\$ 40,204
National School Lunch Program	10.555	FY11	310,744 *
			<u>350,948</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY11	198,789
Title I Grants to Local Educational Agencies - ARRA	84.389	FY11	63,578
			<u>262,367</u>
Career and Technical Education - Basic Grants to States	84.048	FY11	16,988
Improving Teacher Quality State Grants	84.367	FY11	68,425
Grants for State Assessments and Related Activities	84.369	FY11	13,761
State Fiscal Stabilization Fund Cluster:			
State Fiscal Stabilization Fund (SFSF) - Education State Grants - ARRA	84.394	FY11	110,346
State Fiscal Stabilization Fund (SFSF) - Government Services - ARRA	84.397	FY11	98,423
			<u>208,769</u>
Education Jobs Fund	84.410	FY11	419,287
Northwest Area Education Agency			
Special Education Cluster (IDEA):			
Special Education - Grants to States	84.027	FY11	125,513
Special Education - Grants to States - ARRA	84.391	FY11	100,062
			<u>225,575</u>
English Language Acquisition Grants	84.365	FY11	6,148
Total			<u><u>\$ 1,572,268</u></u>

\* - Includes \$52,389 of non-cash awards.

**BASIS OF PRESENTATION**

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Le Mars Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

LE MARS COMMUNITY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2011

Schedule 6

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**Part I: Summary of the Independent Auditor's Results**

- (a) Unqualified opinions were issued on the financial statements.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements and is a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed.
- (e) A qualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - CFDA Number 84.410 – Education Jobs Fund
  - Clustered Programs:
    - CFDA Number 10.553 – School Breakfast Program
    - CFDA Number 10.555 – National School Lunch Program
  - Clustered Programs:
    - CFDA Number 84.010 – Title I Grants to Local Educational Agencies
    - CFDA Number 84.389 – Title I Grants to Local Educational Agencies – ARRA Funds
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Le Mars Community School District did not qualify as a low-risk auditee.

LE MARS COMMUNITY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2011

Schedule 6 (Continued)

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Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

There were no prior year audit findings.

SIGNIFICANT DEFICIENCIES:

**II-A-11 Financial Reporting**

Observation – During the audit, we identified material amounts of payables, including contracts, retainage, and accounts, and capital asset activity not recorded in the District's financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all payables and capital asset activity is identified and included in the District's financial statements.

Response – We will double check these in the future to avoid missing any receivables, payables or capital asset transactions.

Conclusion – Response accepted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

CFDA # 10.553: School Breakfast Program  
CFDA # 10.555: National School Lunch Program  
Federal Award Year: 2011  
U.S. Department of Agriculture  
Passed through the Iowa Department of Education

**III-A-11 Observation** – During our testing of eligibility for free/reduced lunches we noted one instance of noncompliance and one potential instance of noncompliance. In the first instance, a student was awarded free lunch status but was eligible for reduced status only. The school had caught this error and made the appropriate correction on November 2, 2010. In the following instance, an application was completed however insufficient information was provided on the form for us to be able to determine appropriateness of free lunch status. The school was unable to verify information and as such no determination could be made by us on the correct eligibility status.

Recommendation – The District should insure that all applications for the Free/Reduced Lunch Program are properly completed. All employees involved in computing eligibility

LE MARS COMMUNITY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2011

Schedule 6 (Continued)

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**Part III: Findings and Questioned Costs For Federal Awards (Continued):**

should be properly trained. To insure proper completion the District should continue to review the completed applications before students are awarded free or reduced status.

Response – We will meet and discuss with the District employees, the proper completion of the free/reduced lunch applications. We will ensure that the income calculations are made correctly by adding an extra step in our verification process. All applications will be entered in the state's online calculation program and printed out and attached to each application to ensure proper calculations.

Conclusion – Response accepted.

**SIGNIFICANT DEFICIENCIES:**

**No matters were reported.**

**Part IV: Other Findings Related to Statutory Reporting:**

IV-A-11      Certified Budget – Expenditures for the year ended June 30, 2011 exceeded the amounts budgeted in the other expenditures function.

Recommendation – The Certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – Although the budget was amended in total to cover expenditures, the categories were not adjusted correctly. The amendment shows a larger increase to the Support Services category instead of the Other Expenditures category; therefore, the category Other Expenditures shows that expenses were more than the amount budgeted. Future budgets will be reviewed to ensure proper classification of the amendment.

Conclusion – Response accepted.

IV-B-11      Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-11      Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-11      Business Transactions – No business transactions between the District and District officials or employees were noted.

IV-E-11      Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

LE MARS COMMUNITY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2011

Schedule 6 (Continued)

Part IV: Other Findings Related to Statutory Reporting (Continued)

- IV-F-11      Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-11      Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- IV-H-11      Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-11      Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- IV-J-11      Certified Annual Report – The Certified Annual Report was certified timely to the Department of Education.
- IV-K-11      Categorical funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- IV-L-11      Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services, and use tax revenue in the District's CAR:

Beginning Balance		\$ 2,171,601
Revenues:		
Sales tax revenues	\$ 1,460,242	
Other local revenues	25,160	
Sale of long-term debt	7,985,000	
Other	<u>58,505</u>	<u>9,528,907</u>
		11,700,508
Expenditures:		
School infrastructure construction	\$ 3,035,932	
Buildings purchased	63,050	
Land purchased	19,950	
Other	<u>92,618</u>	<u>3,211,550</u>
Ending Balance		<u>\$ 8,488,958</u>

For the year ended June 30, 2011, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

LE MARS COMMUNITY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2011

Schedule 6 (Continued)

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Part IV: Other Findings Related to Statutory Reporting (Continued)

IV-M-11      Student Activity Fund – In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), monies in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program. All accounts reported in the Special Revenue, Student Activity Fund appear to be extracurricular or co-curricular in nature.

LE MARS COMMUNITY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2011

Schedule 6 (Continued)

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Part V: Findings – Year Ended June 30, 2010

There were no prior year audit findings.





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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Education of the  
Le Mars Community School District

We have audited the financial statements of the governmental activities, the business-type activity, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the LE MARS COMMUNITY SCHOOL DISTRICT, as of and for the year ended June 30, 2011, which collectively comprise the Le Mars Community School District's basic financial statements, and have issued our report thereon dated September 29, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting:

In planning and performing our audit, we considered the Le Mars Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Le Mars Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Le Mars Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs as item II-A-11, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness in internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether the Le Mars Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported

under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The Le Mars Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit the Le Mars Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the board of education, management, employees and citizens of Le Mars Community School District and other parties to whom the Le Mars Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Le Mars Community School District during the course of our audit. If you have any questions concerning any of the above matters, we would be pleased to discuss them with you at your convenience.

*Williams + Company, P.C.*  
Certified Public Accountants

Le Mars, Iowa  
September 29, 2011



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Education of the  
Le Mars Community School District:

Compliance:

We have audited the compliance of LE MARS COMMUNITY SCHOOL DISTRICT with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. Le Mars Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Le Mars Community School District's management. Our responsibility is to express an opinion on Le Mars Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Le Mars Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Le Mars Community School District's compliance with those requirements.

As described in item III-A-11 in the accompanying Schedule of Findings and Questioned Costs, the Le Mars Community School District did not comply with requirements regarding eligibility that are applicable to its School Nutrition Cluster Program. Compliance with such requirements is necessary, in our opinion, for Le Mars Community School District to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Le Mars Community School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance:

The management of the Le Mars Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Le Mars Community School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over

compliance. Accordingly, we do not express an opinion on the effectiveness of the Le Mars Community School District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The Le Mars Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit the Le Mars Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the board of education, management, employees and citizens of Le Mars Community School District and other parties to whom Le Mars Community School District may report, including federal awarding agencies and pass-through entities. This report is intended to be and should not be used by anyone other than these specified parties.

*Williams + Company, P.C.*  
Certified Public Accountants

Le Mars, Iowa  
September 29, 2011

# LeMars Community Schools

Dr. Todd A. Wendt  
Superintendent

Steve Webner  
Assistant Superintendent

940 Lincoln Street Southwest, LeMars, Iowa 51031-2299

Phone: (712) 546-4155 Fax: (712) 546-5934

## Schedule of Findings and Questioned Costs Corrective Action Plan June 30, 2011

### Department of Education:

Le Mars Community School District, respectfully submits the following corrective action plan for the year ended June 30, 2011.

The audit was performed by Williams & Company, P.C., P.O. Box 1010, Le Mars, Iowa, for the fiscal year ended June 30, 2011.

The finding from the June 30, 2011 Schedule of Findings and Questioned Costs is discussed below. The finding is numbered consistently with the number assigned in the schedule.

### INSTANCE OF NONCOMPLIANCE:

III-A-11 – National School Lunch Program CFDA #10.553 and 10.555.

Recommendation – The District should insure that all applications for the Free/Reduced Lunch Program are properly completed. All employees involved in computing eligibility should be properly trained. To insure proper completion the District should continue to review the completed applications before students are awarded free or reduced status.

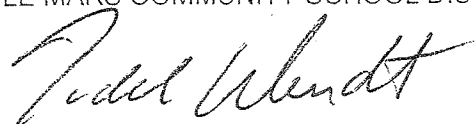
Response – We will meet and discuss with the District employees the proper completion of the free/reduced lunch applications. We will ensure that the income calculations are made correctly by adding an extra step in our verification process. All applications will be entered in the state's online calculation program and printed out and attached to each application to ensure proper calculations.

Conclusion – Response accepted.

If the Department of Education has questions regarding this plan, please call Todd Wendt at 712-546-4155.

Sincerely yours,

LE MARS COMMUNITY SCHOOL DISTRICT



Dr. Todd Wendt, Superintendent

The Mission of the LeMars Community Schools is to guide every student in achieving the highest quality education by teaching the basic skills, developing character, and promoting life-long learning, all through an aggressive partnership with the students, families, school, and community.